VALUATION & ADVISORY
3Q 2021 HOTEL MARKET NSIGHTS REPORT

Hospitality, Gaming & Leisure Practice

San Francisco, CA

Fundamentals Dashboard

KEY PERFORMANCE METRICS

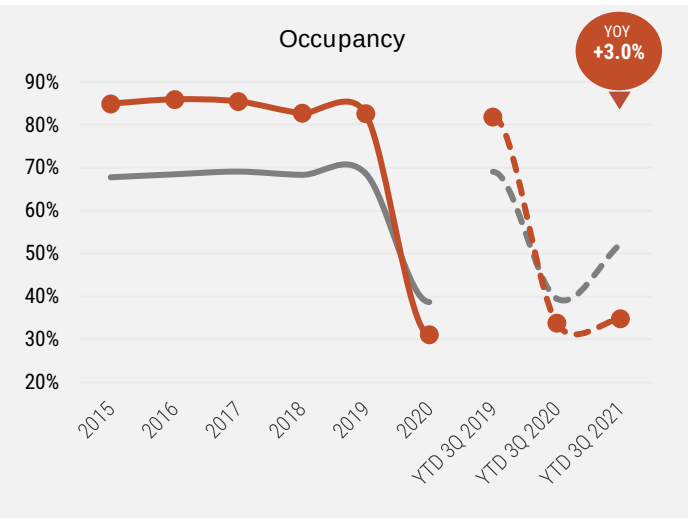
Lodging Performance Index

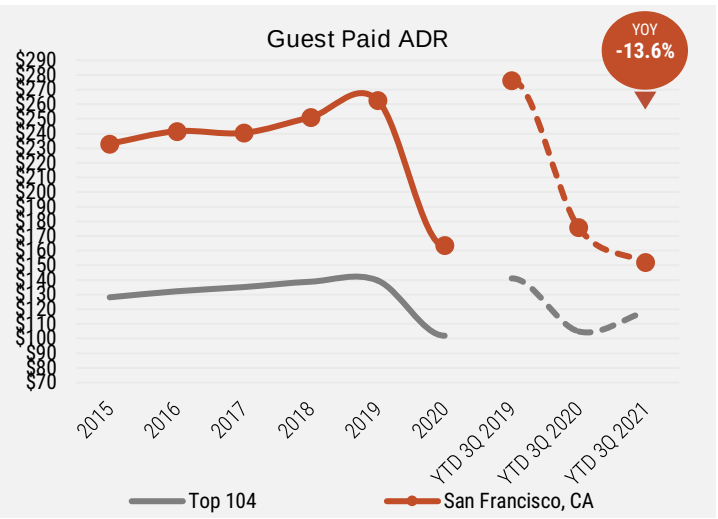
96th of 104

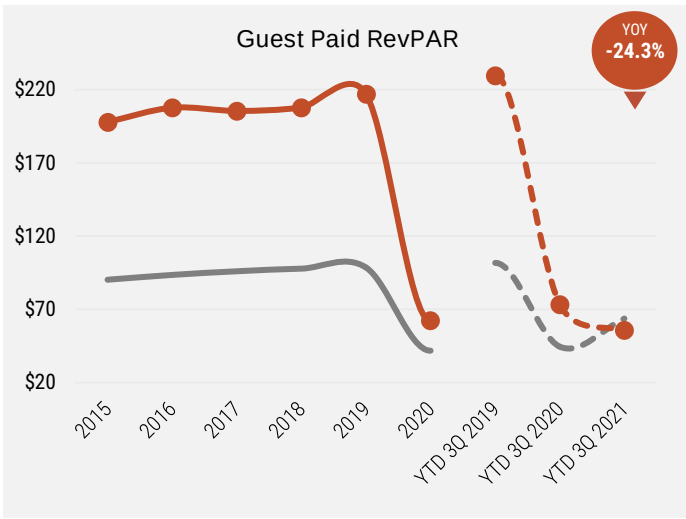
Soft

Ranking of overall '3Q 2021 LPI' performance (0.62) against all 104 surveyed markets.

Supply Ranking vs. Major US Markets







PERFORMANCE INDEXES

Key Performance Indexes

Subject Market Top 104

Occupancy		Guest Paid ADR		Guest Paid RevPAR	
48.6% / 60.4%	31.9% / 48.3%	$181 / $137	$145 / $112	$88 / $83	$49 / $56
3Q 2021	T12 Mos.	3Q 2021	T12 Mos.	3Q 2021	T12 Mos.
102nd	104th	8th	7th	28th	59th

BENCHMARK INDEXES

Key Benchmark Indexes

Data provided by: kalibri LABS

Loyalty Contribution		Avg. Length of Stay (Nights)		Booking Costs POR	
3Q 2021: 53.7% / 48.6%	T12 Mos.: 49.6% / 46.7%	T12 Mos.: 1.92 / 2.13	3Q 2021: 1.79 / 2.09	$15.45 / $10.81	$11.72 / $8.56
3Q 2021	T12 Mos.	3Q 2021	T12 Mos.	3Q 2021	T12 Mos.
17th	52nd	101st	91st	98th	99th

INVESTMENT PARAMETERS

Discount and Capitalization Rates

Source: Newmark

FUNDAMENTALS

Trends and Risks

Source: Kalibri Labs, Newmark

Revenue Stability	Supplier Power Trend	Investment Yields
102nd	58th	80th
Soft	**Average**	**Below Average**
Assessment of room revenue growth and volatility over past three to five years against other Top 104 markets	Assessment of market's ability to maximize loyalty and profits, and to ward off booking costs over past 12 months	Measure of market's general investment parameters (yields, OAR, IRR, interest rates, etc.) against other Top 104 markets

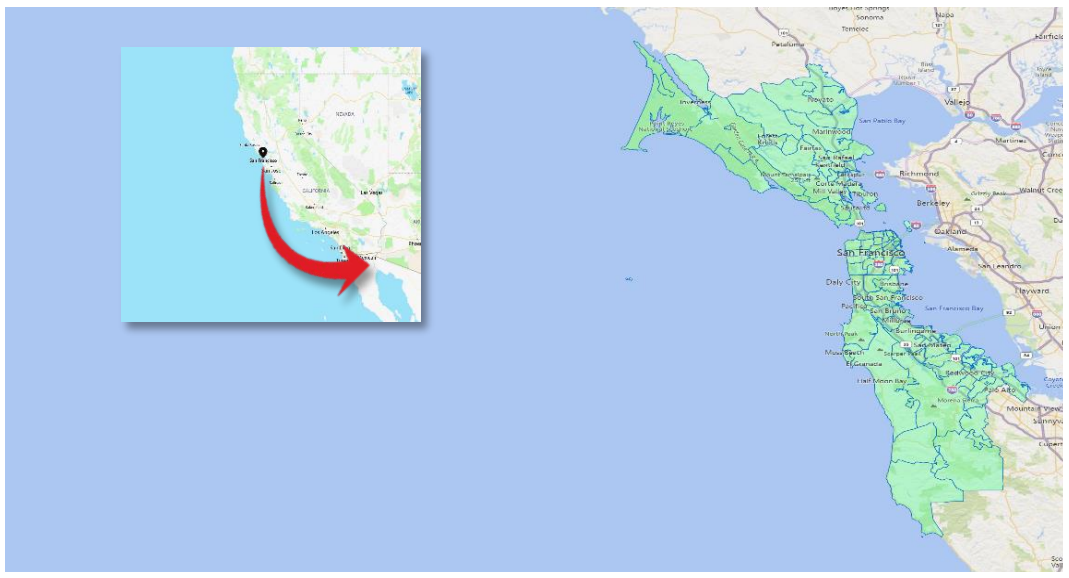
RISKS

Supply Risk	Labor Risk	Macro-Fiscal Risk
87th	99th	101st
Below Average	**Low Risk**	**Low Risk**
Assessment of market supply growth over past 12 months relative to Top 104 markets	Measure of current employment health over past two years relative to Top 104 markets	Assessment of health and diversity of lodging demand generators relative to Top 104 markets

Newmark Hotel Market Nsights Report - 3Q 2021

San Francisco, CA

Location



Quick Facts

Jurisdictional Information

Source: US Census Bureau, Dept. of Labor Statistics

Municipal Name:	San Francisco
County:	San Francisco County
State:	California
Geo Coordinates (market center):	37.775, -122.41944

Major Hotel Demand Generators

University of California, San Francisco | Genentech Inc. | Wells Fargo | Oracle Corp. | Salesforce.com Inc. | Sutter Health | California Pacific Medical Center | Dignity Health | Uber Technologies Inc. | Kaiser Permanente | PG&E Corp. | Gap Inc. | Williams-Sonoma Inc. | Visa USA | VMware Inc. | Va Palo Alto Health Care System | San Francisco State University | Lucile Packard Health Care System | Space Systems | Charles Schwab Corp.

Metrics and Ranking	Measurement	Rankings
Population (hotel market area)	1,720,224	31st of 104 (Above Average)
Income per Capita	$96,265	2nd of 104 (Strong)
Feeder Group Size	93.1 Persons PSR	50th of 104 (Average)
Feeder Group Earnings	$8,965,630 PSR	96th of 104 (Soft)
Total Market COPE	$980.6 million	20th of 104 (Above Average)

Key Performance Metrics

Data provided by: kalibri LABS

YEAR ENDING	Occ %	Guest Paid ADR	Guest Paid RevPAR	COPE* ADR	COPE* RevPAR	Booking Cost POR	ADR COPE* %	Loyalty %	Avg. Length of Stay (Nights)	Supply (Available Rms)	Performance Index (LPI)
2015	84.9%	$233.04	$197.92	$212.12	$180.16	$20.92	91.0%	39.9%	1.98	52,900	1.61
2016	85.9%	$241.61	$207.63	$219.83	$188.91	$21.78	91.0%	42.8%	1.91	52,900	1.46
2017	85.5%	$240.45	$205.46	$218.19	$186.44	$22.26	90.7%	44.1%	1.86	53,700	1.27
2018	82.7%	$251.20	$207.81	$228.94	$189.39	$22.26	91.1%	45.4%	1.82	54,900	1.26
2019	82.6%	$262.75	$217.01	$240.30	$198.47	$22.45	91.5%	50.9%	1.77	58,300	1.53
2020	31.1%	$163.44	$62.22	$151.63	$47.15	$11.81	92.8%	45.3%	2.11	58,600	0.90
CAGR: 2015 thru 2020	**-18.2%**	**-6.8%**	**-20.7%**	**-6.5%**	**-23.5%**	**-10.8%**	**0.4%**	**2.6%**	**1.3%**	**2.1%**	**-11.0%**
YTD 3Q 2019	81.8%	$276.09	$229.52	$252.82	$210.14	$23.28	91.6%	52.9%	1.78	57,400	1.11
YTD 3Q 2020	33.8%	$175.82	$73.27	$163.18	$67.82	$12.64	92.8%	45.3%	2.12	58,300	1.25
YTD 3Q 2021	34.8%	$151.85	$55.50	$139.33	$50.86	$12.52	91.8%	50.9%	1.88	57,800	0.62
% Change	**3.0%**	**-13.6%**	**-24.3%**	**-14.6%**	**-25.0%**	**-0.9%**	**-1.1%**	**12.5%**	**-11.4%**	**-0.9%**	**-50.2%**

*COPE: Contribution to Operating Profit and Expenses. Metrics do not account for Sales and Marketing Spend.

Notable Metrics

HIGHEST

Economy Median Income	T12-Month Guest Paid ADR	T12-Month COPE ADR
2nd	**7th**	**7th**
Strong	**Strong**	**Strong**
San Francisco, CA exhibited strong Economy Median Income ($96,265)	The market benefited from strong T12-month Guest Paid ADR ($145.46)	The market also exhibited strong T12-month COPE ADR ($133.74)

LOWEST

OAR: Economy/Ltd Svc	T12-Month Occupancy	Latest-Quarter Occupancy
104th	**104th**	**102nd**
Highly Unfavorable	**Soft**	**Soft**
This market exhibited unfavorable OAR metrics in the economy/ltd svc segment (9.8%)	The market has been hindered by weak T12-month occupancy (31.9%)	San Francisco, CA also exhibited weak latest-quarter occupancy (48.6%)

Notable Trends

FASTEST

Short-Term Historical Loyalty Contribution Growth	Long-Term Historical Loyalty Contribution Growth	Short-Term Historical Booking Costs POR Growth
4th	**5th**	**6th**
Strong	**Strong**	**Strong**
San Francisco, CA enjoyed strong short-term historical loyalty contribution growth (2.9%)	The market exhibited strong long-term historical loyalty contribution growth (3.7%)	The market also enjoyed low short-term historical growth in booking costs (-10.0%)

SLOWEST

Long-Term Historical Occupancy Growth	Short-Term Historical Occupancy Growth	Short-Term Historical LPI Growth
104th	**103rd**	**102nd**
Soft	**Soft**	**Soft**
The market has been hindered by weak long-term historical occupancy growth (-7.3%)	We note this area has been hindered by weak short-term historical occupancy growth (-13.3%)	San Francisco, CA also has been hampered by weak short-term historical LPI growth (-22.4%)

Market Performance Stage

Source: Newmark

San Francisco, CA: Absorption Stage

Absorption

The San Francisco, CA market is currently in the 'Absorption' stage of the performance cycle. In this stage, hotels are underperforming but in an economy with resilience and confidence the economy will recover from the COVID-19 crisis, presenting upside for CRE. Barriers to entry are high and the market typically hosts little or no new supply, allowing for the existing stock of rooms to be absorbed. Example markets in this stage include Anaheim, CA; Austin, TX; and Boston, MA.

Other Stages:

Regeneration

In the 'Regeneration' stage, hotels and the underlying economy are generally underperforming. The highest and best uses of hotel assets are challenged whether by COVID-19 impacts, oversupply, weak economic indicators, and/or poor corporate contribution. Hotel investors look for opportunities to either exit or regenerate demand. Example markets in this stage include Cincinnati, OH; Detroit, MI; and New Orleans, LA.

Ignition

In the 'Ignition' stage, hotels generally perform adequately for operators to enjoy positive returns, with confidence the economy will recover from the COVID-19 crisis. While the general economy lags, strong hotel performance can ignite expansion in certain key sectors. Example markets in this stage include Knoxville, TN; Miami, FL; and Michigan North Area, MI.

Expansion

In the 'Expansion' stage, hotels generally perform adequately and in an economy with resilience and higher confidence the economy will recover from the COVID-19 crisis. Barriers to entry are low, displacement demand is high, and the market typically experiences an expansion of both hotel supply and general economic conditions. Example markets in this stage include Atlanta, GA; Fort Lauderdale, FL; and Fort Worth, TX.

Industry Observations

MOODY'S ANALYTICS

Business Cycle:	**In Expansion**
Employment Growth (2 yr):	**1.9%**
Risk Exposure (402 US markets):	**6th Percentile: Low Risk**
Key Industry Notes:	Financial, medical, high tech Educated/skilled workforce High incomes Strong office market growth Construction limitations

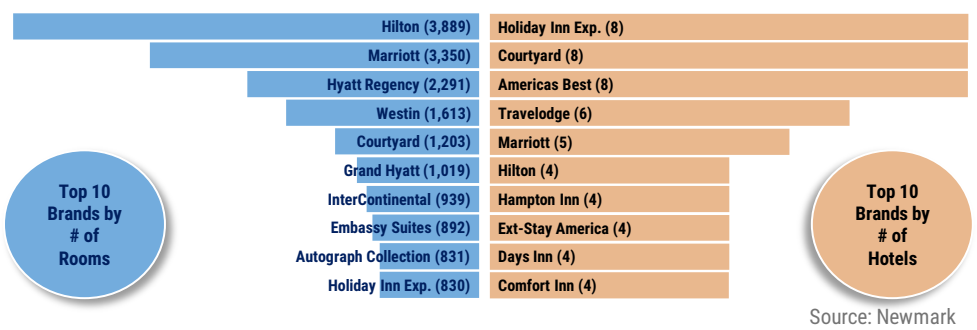
Moody's Rating

Aaa

Investment Grade

Long-term investment grade, Prime-1 short-term outlook

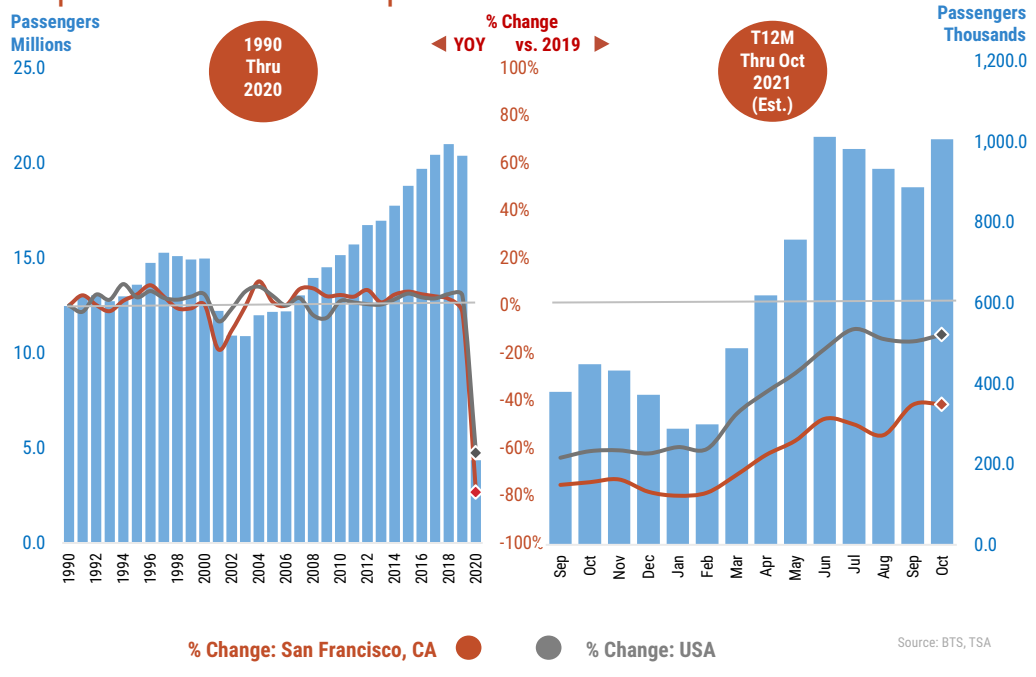
TOP 10 BRANDS



Source: Newmark

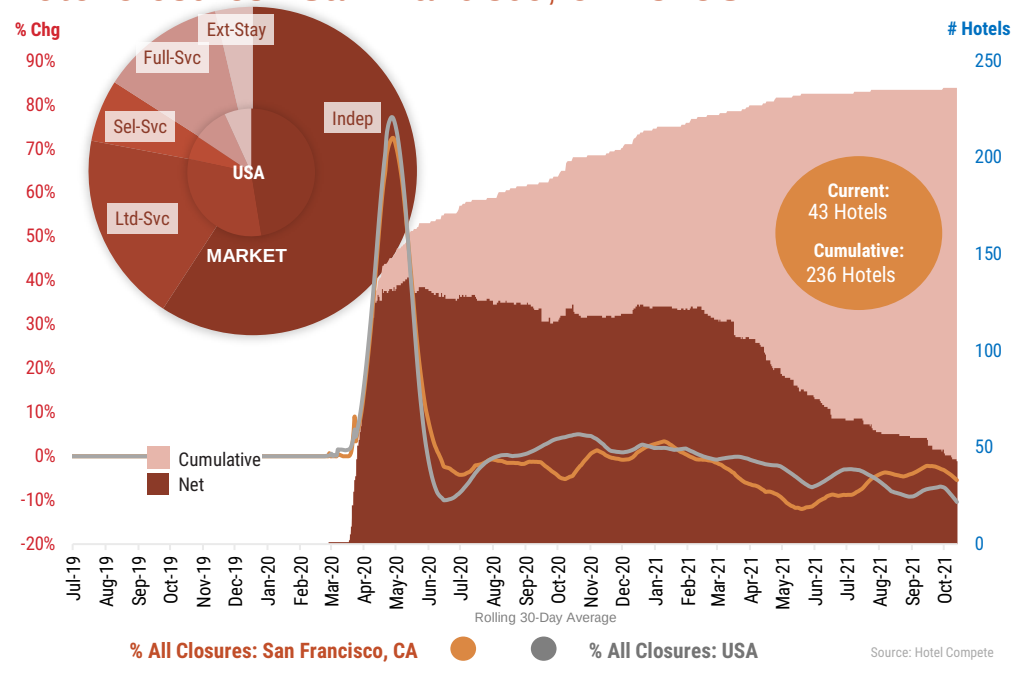
SAN FRANCISCO, CA: ALL LOCAL

Airport Statistics - Enplanements



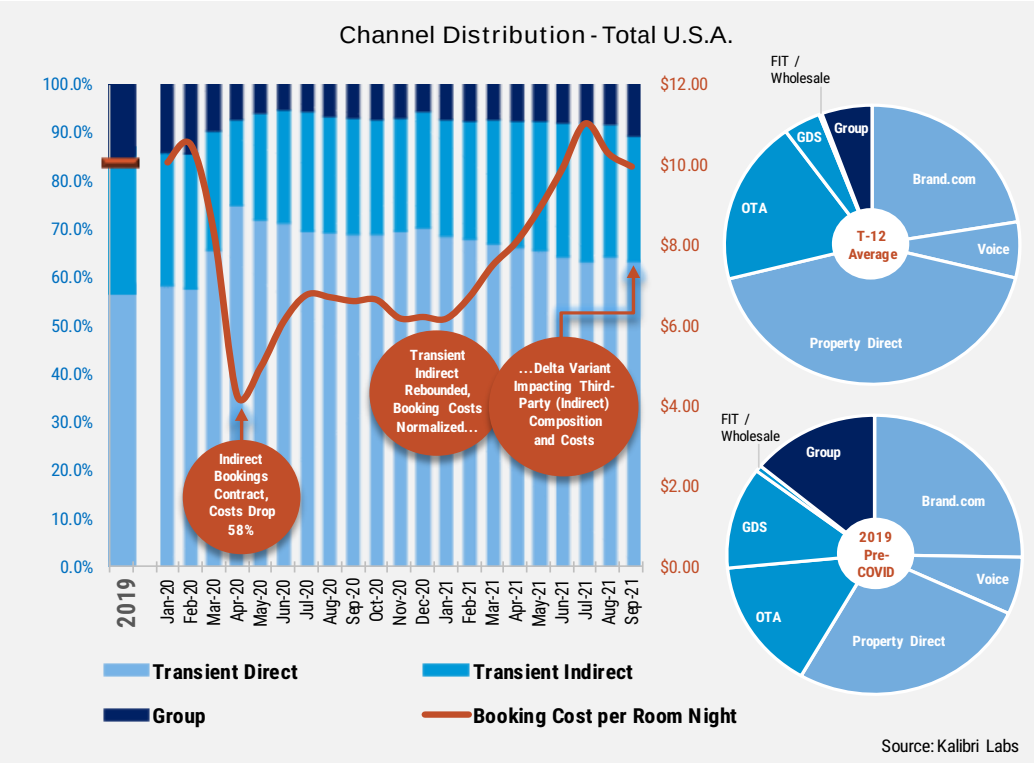
DATA THROUGH OCTOBER 2021

Hotel Closures - San Francisco, CA vs. USA



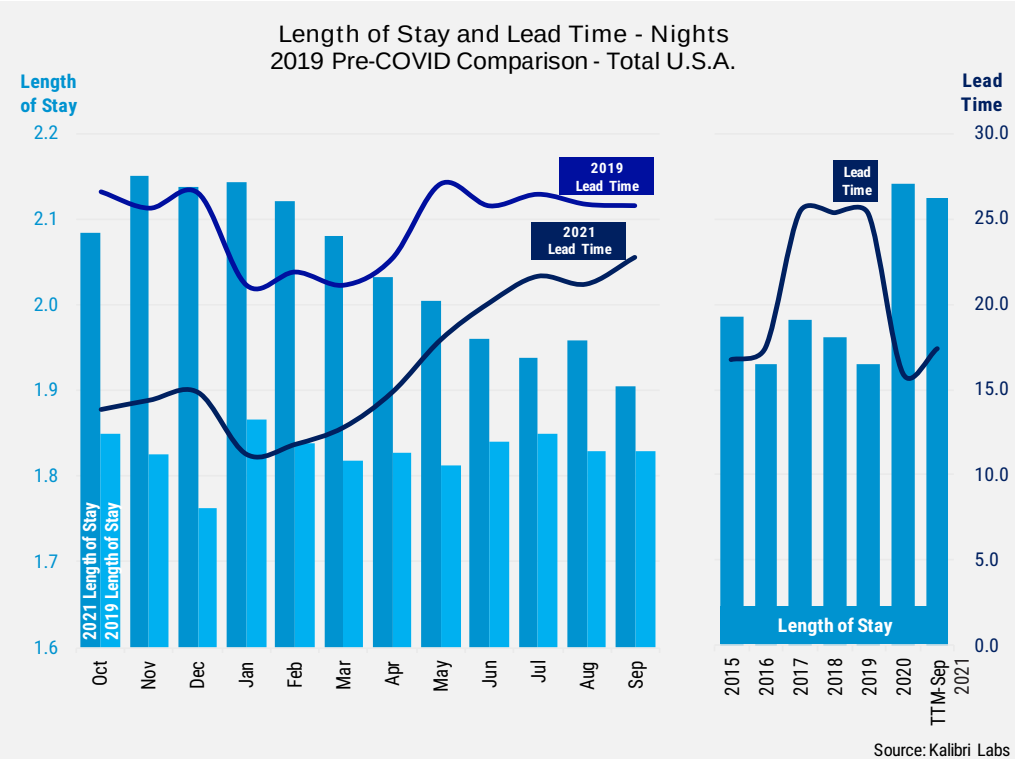
National Trends Dashboard - Channel Distribution

DISTRIBUTION AND COST

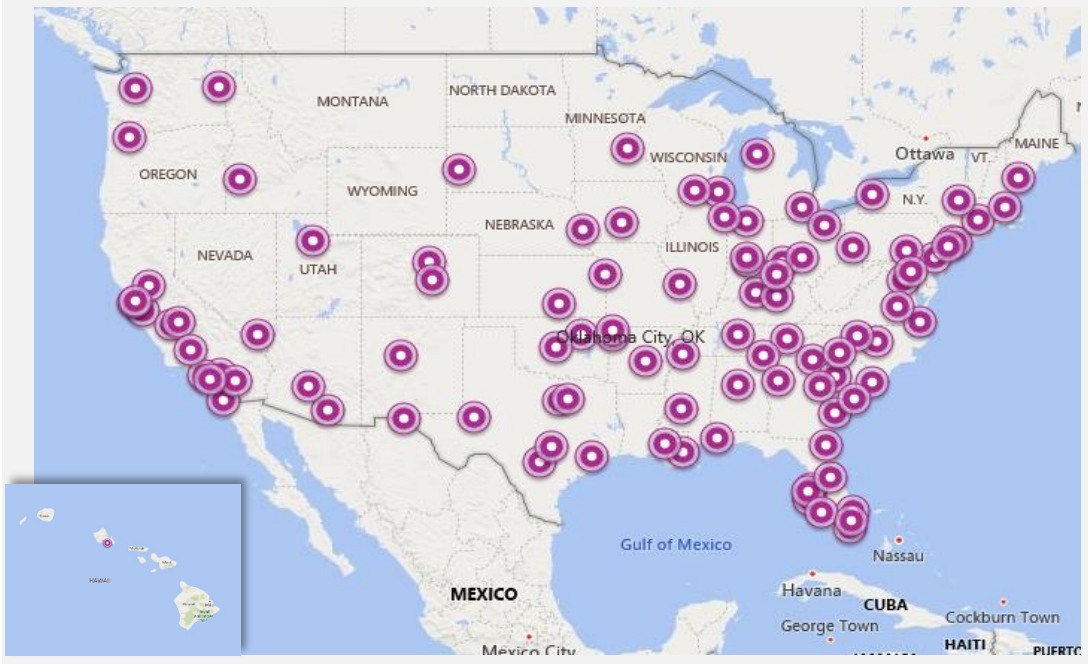


National Trends Dashboard - Duration

NIGHTS



Newmark Hotel Market Nsights Report Coverage



Akron, OH	Dayton, OH	Louisville, KY	Portland, OR
Albany, NY	Denver, CO	Madison, WI	Raleigh, NC
Albuquerque, NM	Des Moines, IA	Memphis, TN	Rapid City, SD
Anaheim, CA	Detroit, MI	Miami, FL	Richmond, VA
Arkansas State Area, AR	El Paso, TX	Michigan North Area, MI	Sacramento, CA
Atlanta, GA	Fayetteville, AR	Michigan South Area, MI	Saint Louis, MO
Augusta, GA	Fort Lauderdale, FL	Milwaukee, WI	Saint Petersburg, FL
Austin, TX	Fort Myers, FL	Minneapolis, MN	Salt Lake City, UT
Bakersfield, CA	Fort Worth, TX	Mobile, AL	San Antonio, TX
Baltimore, MD	Fresno, CA	Myrtle Beach, SC	San Bernardino, CA
Baton Rouge, LA	Greensboro, NC	Nashville, TN	San Diego, CA
Bentonville, AR	Greenville, SC	New Brunswick, NJ	San Francisco, CA
Birmingham, AL	Harrisburg, PA	New Orleans, LA	San Joaquin Valley, CA
Boise City, ID	Hartford, CT	New York, NY	San Jose, CA
Boston, MA	Houston, TX	Newark, NJ	Sarasota, FL
Buffalo, NY	Indiana North Area, IN	Oahu Island, HI (Branded)	Savannah, GA
Charleston, SC	Indiana South Area, IN	Oakland, CA	Seattle, WA
Charlotte, NC	Indianapolis, IN	Odessa-Midland, TX	Spokane, WA
Chattanooga, TN	Jackson, MS	Oklahoma City, OK	Tampa, FL
Chicago, IL	Jacksonville, FL	Omaha, NE	Tucson, AZ
Cincinnati, OH	Kansas City, MO	Orlando, FL (Non-Disney)	Tulsa, OK
Cleveland, OH	Knoxville, TN	Palm Desert, CA	Virginia Beach, VA
Colorado Springs, CO	Las Vegas, NV (Non-Strip)	Philadelphia, PA	Washington State Area, WA
Columbia, SC	Lexington, KY	Phoenix, AZ	Washington, DC
Columbus, OH	Little Rock, AR	Pittsburgh, PA	West Palm Beach, FL
Dallas, TX	Los Angeles, CA	Portland, ME	Wichita, KS

MARKET DISCLAIMERS

Las Vegas, NV; Oahu, HI; Orlando, FL: market data based on actual reporting properties only. Excludes vast majority of casino properties and assets located within the "strip" district of Las Vegas, as well as the vast majority of Disney-associated assets, which comprises most of the Orlando market.

Total Supply The total supply figures are aggregated estimates from multiple third-party sources.

Air Passenger Statistics The latest two months are estimates based on daily national trends reported by TSA. These data are subject to revision.

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